

Lost Opportunity for Economic Empowerment: The Destruction of Cooperatives in Tanzania

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Abstract

Tanzania celebrated 50 years of mainland independence. In the past half a century, cooperatives were denied the opportunity to promote economic empowerment because of the state's anti-capitalist policies and practices. When malpractices were observed, the state used government officials to replace leaders instead of strengthening the legal framework. After the Arusha Declaration, the state began molding cooperatives into socialist institutions. Alongside this the cooperative sector was made into an arm of the ruling party to control farmers, and in the end they were abolished altogether. In this paper we argue that cooperatives are institutions of the capitalist economic system designed to function as agencies for ameliorating the problems of capitalist progress, and that a lack of this understanding was responsible for their destruction in Tanzania.

Key words: Cooperatives, free market economy, economic empowerment, problems of capitalist progress, agencies of development, state policies and practices.

Introduction

In the past half a century in Tanzania, cooperatives were denied the opportunity to promote economic empowerment because of the state's anti-capitalist policies and practices. Cooperatives are institutions of the capitalist economic system. They were designed to function as agencies for ameliorating the problems of capitalist progress. However, the Tanzanian state began to undermine them after independence. In order to control malpractices, government officials were used to replace cooperative leaders instead of strengthening the legal frameworks. The Arusha Declaration of 1967 launched Tanzania into the path of socialist development. The state began molding cooperatives into socialist institutions against their very nature. Alongside this was the endeavour to make the cooperative sector the arm of the ruling party CCM for controlling the farmers. They were also used as marketing agencies of the state. Finally they were abolished altogether and the villages created in the villageisation programme became compulsory cooperative units.

The purpose of this paper is to show the reader how the state's anti-capitalist policies and practices destroyed the cooperatives and affected economic empowerment of the peasants. The argument is that lack of understanding that cooperatives are institutions of capitalism and that they cannot function otherwise is responsible for their destruction.

Cooperatives: Agencies of Free Market Economy

Cooperatives are agencies of the free market economy created to function as agencies for ameliorating the problems of capitalist progress. In principle cooperatives are private sector business organizations and according to World Bank (1995) they should be able to "develop new products and markets, stimulate investment and guide and strengthen agricultural development."

When cooperatives began in Western Europe, they were autonomous self-help organizations. They protected their members from expropriation by merchant capital and served as limited liability companies for rural areas. As limited liability companies they borrowed financial resources on behalf of farmers and extended it to them through the provision of inputs and credit. They also marketed the farmers' produce. In this way the cooperatives centralized capital without expropriating the peasants so that, in rural areas, there was capitalism without capitalists (Djurfeldt 1982).

In present day advanced market economies agricultural cooperatives are pillars. According to *Rural Development* (1995:12), agricultural cooperatives generated gross business volume of \$93,000 million in the U.S in 1992. The marketing share of cooperatives was 80 percent for milk production, 38 percent for cotton and cotton seeds, and 18 percent for fruits and vegetables.

Eight of the top 10 agricultural firms are cooperative enterprises in Canada. Farmers purchase more than half of their inputs and sell their outputs through Cooperatives in Germany. In Japan, nearly every farm enterprise belongs to a supply and marketing cooperative. The cooperatives accounted for 95 percent of rice production in Japan in 1993.

In the early 20th century cooperatives began to emerge from among the middle classes. They started to enable whole classes of people to raise themselves above poverty, but later they became a means by which low and middle – income people continued to accumulate economic advantages (Birchall 2003:7). Cooperatives enabled people to rise above poverty and prevented them from retrogressing into it thus rescuing them from vulnerability. After the Second World War the occupying powers gave cooperatives a lease of life in West Germany and Japan. They took off with success and proved their ability to rapidly transform the lives of members.

As defined by Thomas and Allen (2000) the term agency refers to the actions of individuals or groups, and their capacities to influence events. Therefore, actions of people or groups and their capacities to improve lives against odds brought about by capitalist progress are agencies of development.

The world is witnessing problems brought about by the capitalist economic system. In its nature capitalism is an inherently unequal system of production and distribution (Thomas and Allen 2000). Alongside capitalist progress there is poverty with all its attendant aspects of hunger and famine, ill health and disease, unemployment, environmental degradation and the like.

Notwithstanding the magnitude of the problems and the world crisis to which they are building, the world in its collective wisdom has been developing and building institutions to ameliorate these problems of capitalist progress. Intentional development is the name given to the efforts geared towards improvements aimed at reducing or doing away with the disordered faults of capitalist progress (Thomas and Allen 2000).

Cooperatives represent one brand of these institutions that function as agencies of development. When they were first established 120 – 170 years ago, cooperatives were a response to what their members considered as exploitation by merchants (Watkins 1986).

State Intervention

State intervention in the development of markets is crucial within the framework of the free market. Through its market making policies the state regulates the formation and registration of cooperatives. It closely regulates financial markets which significantly drive the free market economy (Mackintosh and Mehta 2001). States should provide conducive policy and business environments for the operations of cooperatives.

Another role of the state is facilitation of the establishment of private property. Cooperatives are private sector business enterprises (World Bank 1995). The state puts in place legal frameworks to ensure that assets are formalized. Individuals who misappropriate the property of cooperatives ought to be prosecuted within the legal frameworks and not by replacing them with state officials. This context highlights two important points that cooperatives are institutions of the capitalist economic system, and that they function to promote economic empowerment of their members who need collective strength to be able to cope with capitalism.

In Tanzania, cooperatives were destroyed through management dishonesty, misappropriation of co-operatives resources, abuse of committee powers; leadership irresponsibility and poor accountability were common characteristics of Tanzania cooperatives after independence in 1961. Hence, such malpractices had distorted the image of cooperatives and had also caused unimaginable financial losses and retardation in socio-economic development (Banturaki 2000). To circumvent this, the government responded by replacing cooperative leaders with government officials. The thinking was that those officials would facilitate efficient governance of cooperatives. However, they too turned out to be unethical, selfish and ended up putting ahead their self-interest to the detriment of the interests of cooperatives (Saul 1973).

These actions jeopardized the sustainability of cooperatives because they began to be used as instruments of government policies rather than serving their members' needs and interests. Government control unleashed special favours to the cooperative movement. Cooperatives enjoyed monopoly powers over the handling of export crops such as coffee, cotton, tobacco and some major food crops such as maize and beans (Philippe 2008). They also enjoyed subsidies and tax exemption which jeopardized their core value of collective self-help.

The effect of excessive government control and political interference in cooperatives has had a devastating outcome on members' morale and their faith in cooperatives. Strong and viable autonomous cooperatives that adapt successfully play an important role in promoting economic and social development of members and communities. But the state protected monopolies were unable to compete in the free market and this has led to their disintegration.

The Arusha Declaration: Socialist Economic Direction

The Arusha declaration of 5th February, 1967 steered Tanzania in a socialist path of development. In it the late President Julius Nyerere's vision of socialism was outlined. An overhaul of the country's economic system was slowly effected. This culminated into a villageisation programme widely implemented in the country between 1973 and 1975. It sought to transform the pattern of rural settlement by dissolving the previously dispersed family smallholdings and congregating them into nucleated villages of sufficient size to facilitate efficiency in service delivery. Underlying this strategy was the idea that new villages would become the basis for a socialist system of production and distribution.

Politically and socially the socialist policies were hugely unpopular. In 1972, Dr. Kleruu, a regional Commissioner of Iringa, was murdered by a farmer whose land he had seized. The public attention to the trial of Mr. Mwamwindi in 1975 finally ended the collectivism of the Arusha declaration. The socialist policies were a complete failure; they plunged the country into further debt, a crisis in its balance of payments and worsened relations with international donors (Nyerere 1973).

Since the adoption of socialist policies, the government has had a proprietary view of cooperatives. The primary objective became to employ the economic aim of cooperation to achieve the political aim of socialism. The cooperatives were increasingly drawn into the political fold of the ruling party.

Thus, the cooperative movement became susceptible to political interference after the adoption of one party supremacy in 1965. The dominant thinking in the government was that by their nature cooperatives could not be detached from political life (Kimario 1992). In this way cooperatives became the party arm to control the farmers.

The legislation of 1975 brought the cooperative movement under the ruling party structure. From this the cooperatives operated under the directives of ruling party and the government. The election of cooperatives leaders at all levels and employment of Unions' senior staff had to be screened and approved by CCM (Chama cha Mapinduzi), the ruling party. Thus, by forcing the cooperatives to recruit leaders and managers not of their choice, the ruling party made it easy for incompetent, uncommitted, opportunistic, and other corrupt elements to get into the cooperative movement. In this way, the cooperatives were plunged into serious mismanagement under the state and ruling party bureaucracy (Banturaki 2000). And from these developments cooperative leadership and management directed their loyalty to the ruling party. They became accountable to CCM rather than to members who were the owners of the cooperatives.

Cooperatives as State Marketing Agencies

Cooperatives had functions in Tanzania, as they bought crops directly from villages and exported them abroad. To accommodate this function, unions borrowed extensively from financial markets without due regard for repayment capacities which landed them in huge debts. In 1989 the government confessed that its own directives were responsible for 87 percent of the total cooperative unions' debt amounting to Tshs. 40 billion (Banturaki 2000). These debts have therefore endured over a long period and the government still promises to repay them on behalf of the cooperative unions. The point here is that had the cooperative unions had the freedoms to do business without state interference they would have handled their affairs prudently in the interest of their members.

Nevertheless, on the 14th May, 1976 all primary cooperatives were dissolved by the government. Their marketing functions were taken over by communal villages. Alongside this, cooperative unions also dissolved and their functions were taken over by parastatal crop authorities, which had to buy crops directly from villages. The other services which were rendered by the dissolved cooperatives, such as wholesale and retail trade, were taken over by state owned companies (Maghimbi 1992). Moreover, the crop authorities failed to buy peasant crops and they also failed to provide price incentives. They did badly in the supply of farm inputs and in the provision of credit to farmers. The impact on crop output was felt immediately as the government faced shortages of foreign exchange due to the decline in peasant production (Maghimbi 1992).

With the introduction of socialism through the Arusha Declaration the basis of rural organization changed from the cooperatives to rural communes in form of communal villages. This was inevitable because cooperatives are capitalist institutions and their primary basis is private property. They cannot function under socialism. Capitalism has cooperatives and socialism has communes.

Under socialism, communal production of crops in the village was paramount hence the establishment of communal ownership of land. And the creation of small cooperatives was associated with the village level. Every village was registered as a village cooperative. In 1975 the government enacted the 1975 village Act to this effect. The government then reconsidered the role of marketing cooperatives and the natural decision was to dissolve them. The analysis on which the dissolution was based was correct. However, the argument of the government for the dissolution of the cooperatives was wrong in that the cooperatives had lost their representative nature amongst the peasants (Banturaki 2000; Kwaako 2011). Had this been so there would have been no decline in peasant production as noted above, and indeed, it was the recognition of the fallacy of this argument that led to their reinstatement in 1982 as the peasants resisted state interference by cutting production (Hyden 1983).

Decline in Agricultural Production

The decline of agricultural production and productivity was more of a peasant reaction to state socialism than to state action on cooperatives. Over the period after independence, peasants had learned to associate the cooperatives with the state because they had appeared to be accountable to the state than to members. The decline, however, had the effect of bringing about a failing national economy in the early 1980s, as Tanzania became dependent on agriculture for economic mainstay. And as a result of this weakness, the government decided to seek economic assistance from multinational agencies like the International Monetary Fund (IMF) and the World Bank (WB). These agencies began unleashing recovery programmes on Tanzania some of which are structural Adjustment Programme (SAP), Economic Recovery Programme (ERP) and Economic and social Action Programme (ESAP).

They culminated in economic liberalization whose end was translation from centralized economy to a free market economy. However, cooperatives were in a weak structural and financial position at the start of the economic reform process, and the years of pounding by the state had reduced them to a miserly existence as they lost assets, human and financial resources, and essentially, the free market economics was introduced without giving cooperatives a breathing space to adjust to the demands of liberalization.

Cooperatives have not been able to compete favorably against the better prepared private traders. They are unable to provide adequate services to their members, and some have resorted to do business with private traders, as a result. Some cooperative societies have ended up as agents of private traders and rent out facilities to them (URT 2000) wherein small farmers are disadvantaged without collective organization for their economic struggles which obviously affects the country's economy adversely.

Conclusion

The foregoing has demonstrated that in the past half a century in Tanzania, cooperatives were denied the opportunity to promote economic empowerment because of state anti-capitalist policies and practices. Government officials replaced corrupt cooperative leaders, cooperatives were made ruling party arms for controlling farmers, attempts were made to mold cooperatives into socialist institutions, they were made to behave as state marketing agencies and in the end, they were dissolved because basically socialism had to have communes, instead of cooperatives.

Cooperatives are institutions of the capitalist economic system and they function as agencies for ameliorating the disordered faults of capitalist progress. It is pertinent that we recognize the link between the cooperatives and the capitalist economic system. This may help nations to figure out ways of supporting cooperatives achieve efficiency and effectiveness in the current circumstances. In Tanzania, before they were dissolved, cooperatives served the farmers well; however, as the state dissolved them, the prevailing economic system reacted by producing a decline in agricultural production and subsequently a shortage of foreign exchange, and they had to be reinstated in 1982.

The assets of cooperatives and their financial resources should be restored in Tanzania. How this is to be done is food for thought. Over the years the greatest weakness of the Tanzanian political leadership has been the deliberate disregard for building on past successes.

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